



## **Tourism Subgroup Interim Report**

### **Executive Summary**

Governor Bob McDonnell and Co-chairs Lieutenant Governor Bill Bolling and Senior Economic Advisor Bob Sledd have charged the Economic Development and Jobs Creation Commission to develop a series of innovative, achievable proposals to build on recent successes to create new jobs and grow Virginia's economy.

The tourism industry is uniquely positioned to play a leading role in Virginia's economic recovery. Through increased visitation and longer lengths of stay, tourism can create new jobs, provide additional state and local tax revenue and inject consumer spending into Virginia's economy more quickly than any other industry. Likewise we should seize the opportunity to attract more film projects, investment by film companies quickly provides economic vitality to businesses and the local tax base as well as jobs for Virginia's film industry.

The return on investment for tourism is immediate and proven. In 2008, 60 million visitors came to Virginia, generating \$19.2 billion in economic impact, supporting 210,000 jobs and providing \$1.28 billion in state and local taxes. For every \$1 spent on tourism the Commonwealth receives \$5 in additional state and local tax revenue. Every \$90,000 in tourism spending creates 1 new job. In addition, the film industry has a 14:1 return on investment. Clearly, a robust, dynamic and expanding tourism and film industry is a crucial component to the overall strength of Virginia's economy.

Governor McDonnell and the Jobs Commission leadership understand the importance and benefit of tourism, film, state parks and the wine industry. During his campaign, Governor McDonnell committed to doubling the budget of the Virginia Tourism Corporation from \$15 million to \$30 million. He pledged to increase funding for the film industry by increasing the Governor's Motion Picture Opportunity Fund by \$2 million and increase the focus on marketing and research of the Virginia Wine industry. The Tourism Subgroup strongly endorses these initiatives.

Enjoying broad bi-partisan support from the General Assembly, Governor McDonnell's approved budget increased VTC's budget by \$3.6 million annually, dedicated the wine-liter tax to wine marketing and development and established Virginia's first Motion Picture Tax Credit. However, these important first steps were just that – first steps. If Virginia is to be competitive in the global marketplace, we must take further steps to tourism.

To grow the tourism industry, we must increase visitation to Virginia and increase the average length of stay (ALOS) of each tourist. Virginia currently ranks 8th in domestic visitation spending and 14<sup>th</sup> in international visitation. The key factors that drive visitation and extended length of stay are superior marketing, product (attractions, lodging, entertainment, etc.),

and accessibility (roads, mass transit, infrastructure, etc). To maximize Virginia's tourism market and market potential, we must address these key factors.

The Tourism Subgroup will systematically assess tourism product deficiencies in all regions of the Commonwealth and the effectiveness of existing tools. The Subgroup will examine what new tools are needed to develop tourism products and attract more visitations and spending needed to revitalize the economy. These assessments will provide a road map to how Virginia can expand and further strengthen on our existing marketing efforts and strategies to maximize the economic impact of the film, wine and tourism industries.

The following report will outline the Subgroup's assessment of current tourism strength, weaknesses and opportunities and provide initial recommendations to grow tourism in Virginia.

### **Subgroup Activity**

In addition to the Subgroup members, the Tourism Subgroup has been assigned expert agency staff from the Virginia Tourism Corporation, Secretary of Agriculture, State Parks and Virginia Department of Transportation to assist with their work.

To maximize the skill set of subgroup members and assigned agency staff and thoroughly analyze and develop innovative achievable policy recommendations, the Tourism Subgroup divided its work into five subcommittees, including:

- Product Development – Pat Jones, Chair
- Finance & Development – Bruce Thompson, Chair
- Marketing – Lisa Gable, Chair
- Film – Daphne Reid, Chair
- Wine – Ann Heidig, Chair

Each subcommittee met internally to assess the current status of their subject matter area, comparative destination programs (our competition), and to identify stakeholders. They will layout goals, strategies, work plans and initial policy directions and recommendations. While the subcommittee activity is ongoing, initial reports of each are included in this report.

The full Tourism Subgroup met twice in Richmond. At the first meeting, members discussed and agreed on vision strategies and work plan for the Subgroup, and at the second meeting subcommittee reports were received and discussed. The Subgroup will meet again on August 12 in Virginia Beach.

During the interim, subcommittees will continue to meet with stakeholders and state government policy experts to further solicit ideas and refine recommendations.

### **Analysis**

While tourism touches dozens of state agencies, the VTC is the primary entity of the Commonwealth to promote Virginia within our borders, across the country and around the world.

Despite the proven return on investment and economic and job creation benefits of tourism, the VTC has absorbed a disproportionate share of budget cuts. From 2001 to 2005, VTC's budget was cut by \$10 million forcing deep cuts in marketing, development and grant programs. In fact, while states like Michigan and Alabama spend millions every year advertising in Virginia and across the country, the VTC has been unable to afford television advertising outside of Virginia since 2008 and their field activities, which provide essential tourism industry business and community development, have been severely diminished.

Even though Virginia boasts unparalleled natural and historic resources, a talented film production work force and a 14:1 return on state film investment, the Virginia Film Office has been neglected in recent years. Virginia's incentive program ranks near the bottom of the over 40 states with film incentive programs, thus losing film projects to other destinations.

Since 2006, Virginia has lost 12 major film projects to other states, including the movie based on the life of Virginia bred and raised Secretariat. The economic impact of those 12 projects was \$367 million. Additionally, in 2007 and 2008 Virginia lost 500 film industry jobs while nationally film employment rose by 4 percent. The lack of film production and competitive film incentives not erodes the industry in Virginia and misses opportunities to showcase the natural beauty and assets of the Commonwealth.

Virginia has not only fallen behind competitors in tourism marketing and film production, but is at a significant disadvantage with other states with tourism incentive programs. Dozens of other states including South Carolina, West Virginia, Kentucky, Alabama, Arkansas, Montana and California have a variety of tax credits, tax exemptions and grant programs to promote tourism development. Many other state tourism agencies also have dedicated funding sources for the purposes of tourism marketing, while Virginia does not.

Additionally, tourism has historically not received the same treatment as other economic expansion industries in Virginia. Currently, tourism projects are not eligible for the traditional economic development incentives or programs that are enjoyed by other industries like manufacturing, energy and technology. While hundreds of state tax credits, exemptions and other benefits exist for nearly every significant industry in Virginia, none exist for tourism.

Whether marketing dollars, tax incentives, dedicated revenue sources, or access to tourism development opportunities, the tourism industry is at a significant competitive disadvantage to both tourism agencies in other destinations and other industries within Virginia.

Despite the aforementioned obstacles, the VTC, and other tourism related agencies including State Parks and the Virginia Wine Board, have made progress during the past several years, particularly with creative approaches to partnerships with the private sector, allowing Virginia to remain competitive. In 2007, Virginia moved from 10<sup>th</sup> in domestic spending to 8<sup>th</sup>. (US Travel Association has not released 2009 stats). In 2009, Virginia ranked 14<sup>th</sup> in

international spending, an increase of 4 spots over 2008—and the largest increase of any other competitive state.

In addition to Virginia's inherent assets – natural beauty, world-class state parks, beaches, history, geographical proximity to major markets and international portals – VTC has utilized widely recognized branding, innovative marketing partnerships to leverage funds 3 to 1 with the private and public sectors; increased strategies in electronic marketing resulting in a top website for unique visitation, focused upon cost-effective earned media and other innovative approaches to ensure that the Virginia Is For Lovers brand remains relatively competitive. Applying these same innovations with greater marketing reach will ensure greater return on investment for Virginia.

The Tourism Subgroup will provide recommendations to capitalize on existing assets, while addressing the product, marketing and accessibility deficiencies to create a more complete experience to increase visitation, extend ALOS and ultimately add jobs and grow our economy.

### **Tourism Subgroup – Vision Strategies**

**Vision:** To create the optimum environment that maximizes tourism expenditures and revenue for the creation and sustainability of tourism jobs in the Commonwealth. To achieve the foregoing, it is acknowledged that increased tourism and film marketing and increased rural and urban tourism development is required.

#### **Approach:**

I. Support Governor Bob McDonnell's platform to double the VTC's marketing and development budget, provide competitive tools to the Virginia Film Office, expand Virginia Wine and Agri-tourism, optimize our State Parks and fully utilize Welcome Centers and Rest Areas.

II. Establish two pronged approach to tourism development and job growth: A rural strategy and an urban (or dense tourism product) strategy.

III. Consider return on investment, job creation and state and local revenue for each strategy.

#### **Strategies:**

I. Identify by locality what product development is needed. (For example, an entertainment center for Virginia Beach; a hotel and more restaurants for Patrick County).

II. Using VTC data and locality needs data, determine what product development strategies are needed for both urban and rural Virginia to expand Virginia's tourism footprint and attract more visitors.

III. Determine what, if anything, is needed in the area of Sports Marketing, Horse Racing and Outdoor Recreation. Discuss collaboration and coordination of marketing resources and efforts.

IV. Develop a strategy to maximize economic impact of Agri-tourism, particularly Wine Tourism Marketing and Development, including utilization of off-site permits.

V. Working side by side with Department of Business Assistance, determine what unique programs are required to inspire tourism entrepreneurs and match them with the localities' needs.

VI. Benchmark with other destinations to determine what tourism development programs are currently being deployed by the competition; recommend that Virginia Tax Department explore impact if deployed in Virginia.

VII. Endorse the Governor's platform to restrict expansion of law to allow localities to open before Labor Day.

VIII. Explore and endorse strategy to maximize Rest Area and Welcome Center operations.

IX. Get recommendations on a multi-tiered approach to Film Production based upon availability of more state investment, including Digital Media and Commercial Advertising Production.

X. Consider ways to improve and expand film production studies in higher education

XI. Identify potential revenue sources for sustaining tourism funding, including license plates and permanent funding formulas.

### **Initial Recommendations**

Based off the initial work of the Tourism Subgroup and its committees, we anticipate offering detailed policy recommendations related to the following initiatives. These are all preliminary suggestions designed to give the Jobs Commission leadership and members a better idea of the ultimate work product of the Tourism Subgroup.

1. **Establishment of a Tourism Development Fund** – Virginia has significant tourism product deficiencies that affect our ability to attract new and repeat visitors and extend their length of stay. Unlike most major industries in Virginia, tourism does not enjoy tax incentives, grant programs or a dedicated funding mechanism for product development. The Tourism Subgroup recommends the creation of a Tourism Development Fund designed to provide gap financing for locally endorsed and supported tourism projects – small and large, rural and urban – through grants, loans, loan guarantees, bonds or other funding mechanisms. The Fund will require a state,

- local and private sector partnership, be self-sustaining, not divert funds from any existing programs and ultimately have no net impact on the General Fund.
2. Reaffirm Governor McDonnell's commitment to double VTC budget – If this goal is reached, it will generate \$1 billion in incremental revenue, \$68 million in incremental visitor spending and 11,150 new jobs.
  3. Consider sources of dedicated tourism funding – Rest Stop opportunities, public-private consortiums, license plates, etc.
  4. Increase funding for Governor's Motion Picture Opportunity Fund, Film Tax Credits and expand definition to provide incentives to television commercial production.
  5. Promote the growth of new and existing wineries, through the use of a capital improvements tax credit, elimination of burdensome regulations, aggressive cross marketing strategies and use of remote wine licenses in heavily travelled regions.
  6. Attract and recruit companies that make or deliver the goods and services needed by wineries, such as cooperage, glassware, rootstock, and implements.
  7. Develop a more integrated brand awareness and sustainable marketing plan that leverages partnerships with state agencies and private sector stakeholders.
  8. Work with localities to develop a comprehensive regional product catalog and product needs.
  9. Shift from providing visitors with listings of state tourism opportunities to providing them with regional experiences that are niche and trend themed.
  10. Reaffirm support for post-Labor Day School Opening.

### **Next Steps**

The Tourism Subgroup will meet on August 12 in Virginia Beach and again in early September. During the interim, members and staff will continue to consult stakeholders and expert state resources to further vet and refine potential policy proposals. All policy proposals will be considered for return on investment and job creation impact before they are recommended by the Subgroup to the full Jobs Commission meeting on September 30.

### **Subcommittee Reports**

The following reports represent the initial activity of each subcommittee, including work plan, goals and in some cases initial recommendations. Each committee is in different stages of policy development and all information included is in a preliminary and working draft form. The reports are condensed for the purpose of this document and full reports can be found on the Tourism Subgroup's page of the Jobs Commission website.



**Tourism Product Development Committee**  
Governor's Commission on Economic Development and Jobs Creation  
Competitive Analysis of Virginia's Tourism Product

**Pat Jones, Chair**

Staff: Chris Canfield, VTC; Joe Elton, DCR; and Jake Porter, VDOT

## **Tourism Product Development Committee Overview**

### **What we are trying to accomplish?**

Assess Virginia's tourism product needs in various regions and localities across the state (urban and rural), including entertainment venues, lodging, state parks, meeting and convention venues (or increased usage), sporting events or sporting opportunities, restaurants, attractions, entrepreneurs, roads and infrastructure that will generate economic growth and jobs.

### **Action Plan**

Conduct a research-based analysis of Virginia's Tourism Product Inventory using existing information as well as conducting specific new surveys on product needs to make the Commonwealth more competitive as well as filling voids in the industry. Research to include the following State Agencies:

#### **Virginia Tourism Corporation (VTC)**

- ★ Analyze existing research from consumers identifying strengths and weaknesses of Virginia's nine (9) Tourism Regions
- ★ Conduct an electronic survey of Virginia's tourism industry and local government planners to analyze product needs. This list of interviewees includes:
  - Local government contacts such as town and city managers, county administrators and local economic development contacts (535 contacts)
  - Regional Economic Development Groups (60 contacts)
  - Planning District Commissions (33 contacts)
  - Destination Marketing Organizations (120 contacts)
  - Tourism Industry private sector businesses (4,000 contacts)
- ★ Initiate Telephone Interviews with major stakeholders for more qualitative research
- ★ Conduct one-on-one interviews with industry leaders who can look at the region from a competitive level
- ★ Once data is received, compare results of visitors survey to that of the industry's survey to identify best matches of what the industry needs as well as demand from consumers

#### **Department of Conservation and Recreation (DCR)**

- ★ Review Outdoor Recreation Plan on a regional basis identifying the top projects and priorities for best Tourism return on investment (ROI)
- ★ Identify state park renovation and new construction projects that would stimulate higher return visitation and attract new visitors to Virginia
- ★ Analyze existing trail projects that spur economic development in rural areas, as well as the Bluegrass to Beaches Trail
- ★ Identify state park investments, including construction of cabins and campsites, that will stimulate additional economic development from the private sector
- ★ Explore any opportunities for the private sector to partner with the State Park system
- ★ Recommend Visitor Center renovations or creation
- ★ Review and analyze customer satisfaction survey of the State Park system

#### **Department of Transportation (VDOT)**



- ✧ Identify top transportation issues and policies facing the tourism industry on a regional basis (This includes roadways, scenic roads, rail, waterways, signage, access, trail development as well as welcome centers and safety rest areas)
- ✧ Identify and prioritize which major transportation projects will provide the biggest ROI which leverages the optimum existing and potentially new tourism businesses integrated with one or more additional economic development and job creation commission sectors
- ✧ Conduct preliminary project cost-benefit analysis to delineate those projects which create the greatest short and long-term revenue margin over and beyond costs

### **Tourism Product Development Committee Worksheet**

Tourist expenditures equate to jobs and taxes for the Commonwealth. Keys to successful visitation rely on attractive product, successful marketing and accessibility.

#### **What products are needed? What Policies can make that happen? How do we fund them?**

This committee will look at new development or expanding existing product on a competitive basis to move Virginia forward in gaining more tourists and increasing expenditures.

In this analysis, we will breakdown Tourism product development into three areas:

- ✧ Economic - lodging, dining, sports venues, entertainment attractions, state parks, etc.
- ✧ Socio-Cultural – historic preservation, authenticity, arts, education
- ✧ Infrastructure – accessibility, roads, signage, rail, air, water, etc.

**Economic Aspects** are ones that provide a direct investment of capturing tourists' dollars such as hotels, restaurants, theme parks, etc.

**Socio-Cultural Aspects** preserve an area's heritage or give an area a specific personality. Examples of this range from Colonial Williamsburg to The Crooked Road Music Trail.

**Infrastructure** addresses the needs of hosting tourists whether it is transportation for travelers or environmental issues for development. This will vary depending on community's existing infrastructure.

The Tourism Product Committee will be tasked with evaluating new product as well as bolstering existing. This can be done by:

- ✧ Visitor Survey which lists items needed in each region to appeal to tourists.
- ✧ Electronic Survey of Virginia's Tourism Industry to determine specific competitive product needs
- ✧ Interviews with tourism & community leaders to identify opportunities in VA's nine (9) regions.
- ✧ Study of State Parks opportunities, upgrades and development needed
- ✧ Report from VDOT of Transportation Issues facing VA Tourism Industry

At the end of this research, the Product Committee will also complete a chart for each of the 9 regions outlining their development needs, competitive edge, and the projects that will create the greatest return on investment. The committee should be able to produce a report that shows what our industry says is needed to move forward and cross-tab those findings with what our visitors say is needed. This should provide the full committee with an overview of Virginia's inventory and which new products need to be developed to remain competitive.



**Tourism Finance and Development Committee**

Governor's Commission on Economic Development and Jobs Creation

**Bruce L. Thompson, Chair**

Staff: Randy Marcus, Chief Jobs Creation Office; Alisa L. Bailey, VTC

## **Summary**

The Tourism Subgroup Finance & Development Committee is tasked with working with stakeholders and state government experts to develop funding recommendations that will address the product and marketing deficiencies identified by the Tourism Subgroup. Additionally, the Finance & Development Committee will consider proposals to provide a more stable and dedication sustaining funding source for the VTC and offer suggestions for maximizing tourism related revenue from Welcome Centers and Safety Rest Stops.

## **Double funding for VTC**

From 2001 to 2005, VTC's budget was cut by \$10 million, forcing deep cuts in marketing, development and grant programs. Until VTC's budget was increased during the last biennium, they had not been able to advertise Virginia outside of Virginia since 2008. When competitor states are flooding our airways enticing people to visit their states, the lack of marketing dollars for VTC is unconscionable.

Tourism marketing has a proven return on investment. For every dollar spent on tourism marketing, the Commonwealth realizes a return of \$5 in state and local taxes and every \$90,000 in tourism spending creates 1 new job. Unlike other industries, tourism benefits are immediate and should be maximized as soon as possible to create new jobs and stimulate Virginia's economy.

Governor McDonnell recognizes this deficiency and has committed to doubling funding for the VTC. The Tourism Subgroup strongly supports Governor McDonnell's proposal and encourages reaching this goal as soon as possible.

## **Tourism Development Fund**

**Purpose:** While the Commonwealth of Virginia rightfully invests millions of dollars in attracting and retaining large corporations to the state to create jobs and achieve a high return on investment in economic impact and taxes, few, if any programs exist to help localities—both urban and rural—build the necessary tourism infrastructure to achieve the same results.

The Product Committee is assessing the tourism product needs in every region of the Commonwealth to create a more complete experience for the traveler and increase visitation and ALOS. Despite tourism's significant return on investment, no state tax incentives or dedicated development funds exist for tourism projects. The Finance Committee recommends the creation of a Tourism Development Fund to help address the product needs across the Commonwealth.

A Tourism Development Fund would provide localities with the tools to attract developers and entrepreneurs, expand their tourism product, complement their destination experience and thereby attract and expand visitor spending. This, in turn, will create a more prosperous destination, more jobs for Virginians, and more tax revenue for state and local governments.

The Tourism Subgroup agreed that an ideal scenario could be accomplished for funding assistance from the smaller-rural inn or restaurant to the medium-sized project such as a convention center hotel in a Tier II city to a mega-million-dollar entertainment center.

**Some of the basic criteria and possible structures for the programs include:**

1. Public-private partnership that includes the developer's investment, locality investment and state investment
2. Start up funds from the General Fund, which would be paid back through the program over time
3. Self-imposed fund access fee upon the developer/area or the retention of tax revenue generated from the project would not only pay back the initial state start up costs, but also provide the revenue stream for sustaining the program without general fund investment
4. Plan could be structured to provide gap funding, loan, loan guarantee, revenue stream for debt service or interest rate reduction
5. All programs include the locality as identifying the project and providing an investment that would be subordinate to the state's investment
6. All projects should be part of an overall tourism development plan
7. State investment would be paid back first and in some situations the locality might not require reimbursement
8. Consider existing programs and legislation that could be utilized for tourism development
9. Any proposal would be required to project job creation, economic impact and tax benefits

**Sustainable Funding Source**

Because VTC does not have a dedicated sustainable funding source, they are forced to compete with education, health care and public safety as well as other economic development agencies in the General Fund every year for base budget funding.

The Finance Subgroup will consider options for increasing dedicated and sustainable funding sources available to VTC, including license plates, public/private consortiums, maximization of potential commercialization opportunities, rest stops and other models.



### **Marketing Committee**

Governor's Commission on Economic Development and Jobs Creation

**Lisa Gable, Chair**

Staff: Diane M. Béchamps, VTC

## Marketing Subcommittee Mission:

The Tourism Subgroup Marketing Sub-Committee's task is to provide suggestions on how to increase awareness of existing tourism marketing programs and any new programs under development, increase coordination between state, local and private entities, generate greater intrastate awareness once a visitor is in Virginia and maximize the average length of stay (ALOS).

The specific intent of the subgroup is to look for ways to increase frequency and reach and the demand for travel in Virginia using the power of integrated marketing to connect with consumers and to entice more people to visit, stay longer and spend more money.

## Marketing Subgroup Background:

Governor McDonnell's number one tourism priority is to double funding for the Virginia Tourism Corporation by the year 2013. The Governor recognizes that tourism is not only an investment with a high return but that it is also an instant revenue generator for the state. For every one dollar invested in tourism marketing and advertising, five dollars is returned in state and local taxes (Source: Longwood's International Study of VTC advertising 2007).

What will this mean for marketing? Doubling the tourism budget in four years could provide an investment of \$19.5 million more into marketing and advertising equivalent projects and would produce **more than \$1 billion** in additional economic impact. But more importantly that impact would generate **\$68 million** in state and local taxes and support **11,150 new jobs**.

For more than 40 years, Virginia has steadily been building a powerful asset: *Virginia is for Lovers*. The *Virginia is for Lovers* brand is one of the two most highly recognized state tourism slogans and logos in the country along with *I Love New York*. While the slogan Virginia is for Lovers, developed in 1969, has great brand equity and is highly recognized and connected to travel in Virginia, it is important to keep it fresh and relevant to today's target consumer. Therefore Virginia is for Lovers is supported by a relative campaign. The current Virginia is for Lovers consumer campaign is called LOVE and targets generation X and baby boomer families with children between the ages of seven and fourteen years old, primarily in Virginia, Washington, D.C., Baltimore and North Carolina.

In the summer of 2009, VTC conducted two research studies to learn more about consumer behavior among travelers and potential travelers to Virginia. Both studies provided VTC with a better understanding of consumer behavior and led to the conclusion that families living close to Virginia are the best prospects to provide high volume visitation and high per-trip spending.

The task at hand became making Virginia is for Lovers relevant to those families. The Virginia is for Lovers LOVE campaign differentiates the product attribute-based norm of competitor marketing and advertising equivalent programs with an emotional promise and states that "Love is at the heart of every Virginia vacation" and positions the state as a place for family vacations and family traditions. More about the campaign can be found under advertising on VATC.org.

During the first meeting of the Marketing Subgroup, the question was asked, "Do we market the product we have to the right audience in the right way?"

Key indicators such as domestic and international economic impact reports and the VTC's performance measurement report for FY10 suggest that we are. Here are some of the highlights:

- ✿ Virginia moved from 10<sup>th</sup> place to 8<sup>th</sup> in domestic visitor spending among all US states
- ✿ Virginia moved from 18<sup>th</sup> place to 14<sup>th</sup> place among states, with a 16% increase in visitation, the highest percentage change of any state

- ✪ In FY10 VTC generated \$10.7 million in earned media which leveraged the investment 26:1
- ✪ 6.4 million unique visitors to Virginia.org, a .06% increase over FY09 and a 7.5% increase over FY08, nearly 100,000 Facebook fans and an eNewsletter List database, 441,174, a 24% increase over FY09
- ✪ VTC hosted 11 sweepstakes that generated 68,678 incremental leads. Another 35,239 leads were generated in fiscal year 2010 from sweepstakes that began in fiscal 2009, bringing the total leads for fiscal 2010 to 103,911
- ✪ VTC increased domestic marketing leads by 11% and distributed 16,156 group, sports, meetings and AAA leads to Virginia's tourism industry
- ✪ In FY09-10, VTC awarded 45 participants \$462,540.75 in grants - matched by \$1,744,011.65 from the partners – thereby leveraging each VTC grant dollar at least 3.7 to 1.

What can we do differently to increase market share and visitor spending and create new jobs as a result?

Prior to Governor McDonnell's appropriation of \$3.6 million more to the VTC budget for FY11, VTC was limited in advertising to instate broadcast only and three primary markets out of state. We need to move out of the state and further the field to Philadelphia, New York City, South Carolina, Ohio and Atlanta.

Today's competition is global and fierce. We have to work harder to leverage our limited dollars. For every dollar appropriated to VTC, the staff works hard to leverage it at least 3:1 through cooperative marketing programs and initiatives.

Other states employ marketing budgets nearly twice our size. Michigan, for example, is currently running a \$9 million national television campaign for 10 weeks on 14 cable networks across the country. VTC's out-of-state television budget is \$1 million and will reach only four primary markets.

While we work to increase our marketing investment in tourism, there are ways to attain greater frequency and reach without hard dollars. The GCEDJC Marketing Subgroup has identified the following to support that objective:

1. Consider partnership opportunities to further integrate state agency and statewide Virginia tourism industry marketing with the Virginia is for Lovers LOVE campaign
2. Increase visitor average length of stay (ALOS) and improve customer planning experience by deploying upgrade and add-on strategies to visitor itineraries at welcome centers, on Virginia.org and in the state travel guide
3. Make a radical shift from providing visitors with listings of state tourism opportunities to providing them with regional experiences that are niche and trend themed
4. Increase the usage of meeting and convention venues throughout the state
5. Increase sporting events and sporting opportunities statewide
6. Examine sustainable marketing fund opportunities

If these objectives are met and the Governor doubles funding for VTC, the following goals can be realized:

1. Increase the average length of stay by two days
2. Double VTC marketing budget to \$30 million by 2013
3. Generate \$1 billion in incremental revenue
4. Generate \$68 million in incremental visitor spending
5. Generate 11,150 new jobs





### **Film Committee**

Governor's Commission on Economic Development and Jobs Creation

**John Langlois and Daphne Reid, Co-Chairs**

Staff: Rita D. McClenny, VTC



## **WHY INVEST IN FILM**

There is a demand for film incentive programs. More than forty states have incentive programs and most have more aggressive programs than Virginia. Since 2006, Virginia has lost 12 major film projects to other states. The economic impact of these projects was \$367 million. An investment in film creates jobs, ensures economic success for infrastructure, supports businesses and generates taxes. Every dollar invested in Virginia's incentive program returns an average of 14 dollars. In 2007 and 2008, Virginia lost 500 film industry jobs while nationally film employment rose by 4 percent.

## **WHAT IS NEEDED**

The \$2 million in GMPOF and \$2.5 million in tax credits for film are an immensely valuable resource that will bring positive results, but more is needed. Governor McDonnell's goal is to increase the growth of Virginia's media production industries. A \$20 million incentive fund would give Virginia an opportunity to better compete with Georgia, West Virginia, North Carolina and other states. With the current incentives, Virginia will realize an estimated \$20 million in state and local tax revenue compared to \$11 million without the incentives. The Virginia Film Office could recruit as many as ten new film and interactive media projects with a \$20 million investment.

## **FILM WORKS FOR VIRGINIA**

The state's film and television industry benefits the Commonwealth through the production of films, television shows, broadcast commercials, documentaries and educational videos. The film business is an **industry** with many facets involving facilities, services, scenery and people. The facilities infrastructure benefits the economy much like the manufacturing infrastructure where a product is created. The on-location aspect performs more like a "super tourist" as on-location production companies behave much like visitors: they film in localities, rent hotel rooms and vehicles, purchase meals and local goods and services. In addition, motion pictures and television shows have proven to impact tourism. Virginia-based productions such as *Dirty Dancing*, *John Adams*, *Cold Mountain* and *The New World* all generated an interest in Virginia that resulted in increased Virginia visitation by tourists. Film and television production in Virginia is an important part of Virginia's economy, providing jobs for 4000 film professionals. The economic impact of this industry since 1980 is greater than \$4 billion.

Furthermore, 25 Virginia universities have media programs including George Mason, Hampton University, Hollins, James Madison, Lynchburg College, Regent, University of Richmond, University of Virginia, Virginia Commonwealth University, Virginia State University and Virginia Tech, as well as numerous community and technical colleges throughout the state. Ensuring that the motion picture industry is strong in Virginia enables young film students to stay in Virginia to make a living. Nationally, the motion picture industry contributes \$80 billion to the economy. If Virginia is to be competitive in tourism and film, investment in the Virginia Tourism Corporation is essential.

## **TOURISM AND FILM LEGISLATION FY2010 – 2011**

Governor Bob McDonnell has made jobs the number one priority of his administration. In creating the Governor's Economic Development and Jobs Creation Commission the governor stated: "The foremost priority of our Administration is job creation. Economic opportunity and free enterprise are the bedrock of a stable and prosperous Commonwealth. Virginia is home to abundant resources, fiscal responsibility, boundless human potential and the entrepreneurial spirit instrumental to a robust economic recovery." The Virginia film and tourism community is proud to be a part of the Governor's economic development strategy.

## **CONCLUSION**

An investment in film brings instant revenue and jobs to the Commonwealth and improves the quality of life of its citizens. Film works for Virginia and for Virginians.



### **Wine Committee**

Governor's Commission on Economic Development and Jobs Creation

### **Ann Heidig, Chair**

Staff: The Honorable Todd P. Haymore, Secretary of Agriculture and Forestry  
Matthew A. Conrad, Assistant Secretary of Agriculture and Forestry

## **State of the Virginia Wine Industry**

In less than three decades, Virginia's wine industry has grown exponentially both in size and prestige. Boasting more than 170 farm wineries in 2010, Virginia has quickly become the nation's fifth largest wine producing state. Along with that rise, wine grapes reached Virginia's Top 20 agricultural commodities list in 2009 with cash receipts of more than \$10 million.

Wine connoisseurs and tourists have also discovered what we in Virginia have known for some time: the Commonwealth is an international wine destination on the rise. Just this year, Wineries Unlimited and the North American Wine Bloggers have decided to hold their 2011 annual meetings in Virginia. In addition, *Travel and Leisure* magazine recently named Virginia one of the top five new wine travel destinations in the world. Virginia was joined by Chile, Spain, Italy, and New Zealand in that prestigious listing.

According to a Virginia Tourism Corporation study, Virginia's wine and culinary tourists stay longer and spend more money than the average visitor, driving much-needed revenue into both state and local tax coffers and invigorating supporting industries across the rural economy. However, until this year, Virginia's closest competitors on the East Coast (New York and North Carolina) consistently spent more money per year promoting their industries than Virginia. New York, for example, dedicates \$2.8 million to its wine grape promotion and research fund programs.

Thanks to Governor McDonnell's *Jobs and Opportunity Agenda*, Virginia has eliminated a significant portion of this disparity. As of July 1, 2010, every dollar of the Wine Liter Tax imposed on farm wineries, and collected by the state, will be used by the Virginia Wine Board for promotion and marketing of the local industry. This has amounted to an increase from \$580,000.00 to \$1,325,000.00 in the first year and will increase (or decrease) annually based on the amount of tax collected.

## **Goals**

In early meetings of the Governor's Jobs Commission, it was agreed that solidifying Virginia's stature as an international wine destination will require several things, including, but not limited to the following: 1) increasing Virginia's domestic and international wine marketing and promotional efforts; 2) increasing the number of Virginia wineries to provide for a critical mass within each distinct region; and 3) increasing the number of attendant or companion services in close proximity to Virginia's wineries such as inns, beds and breakfasts, restaurants, cultural attractions, spa services and the like.

## **Challenges**

Virginia has worked to overcome a number of challenges in its quest to become a premier wine tourism destination. Unlike our West Coast competitors, Virginia's climate does not always lend itself to easy wine grape growing. The pervasive summer humidity and the unpredictable weather patterns that give us late frosts in the spring and hurricanes throughout the harvest season dramatically increase the cost of producing a high-quality product.

The average price per ton of Virginia fruit is over \$1500, nearly three times the cost of a ton of fruit grown in California. The average cost for installing an acre of vines is over \$15,000 in Virginia. In addition, Virginia vineyards and wineries must import at great cost all of the rootstock, barrels, glassware and other implements required for wine production. These factors increase per bottle cost and add to a perception in the market that the cost of Virginia wine is out-of-step with its quality. Generally, the quality of Virginia wine is high, but wide variation exists, particularly among our newest wineries.

Virginia Tech and Piedmont Virginia Community College have done a good job in developing their respective viticulture and enology programs. However, budget cuts have stalled the growth of their

educational programs, making it more difficult to standardize the quality of wine being produced and even more difficult to educate vineyard managers about the best techniques and varietals for Virginia's unique soils and climates.

Signage for Virginia's farm wineries is another challenge for the industry. Currently there is no signage at the entrance to any of Virginia's viticulture areas. VDOT has shared with the industry that, under current regulations, gateway signage is not permitted. Moreover, the cost and requirements of the state's Tourist Oriented Directional Signage program keep it from fully meeting the needs of the industry.

Localities' treatment of farm wineries also varies, both in general regulation and in tax policy. Although some counties give wineries and other businesses great latitude to operate tasting facilities, event space, high quality restaurants, inns, and other services for tourists, some counties, particularly in high-growth areas of the state, place considerable restrictions on where such attendant services may be located. Also, some counties choose to tax acreage used for the cultivation of wine grapes at a higher rate than acreage used for other agricultural purposes, such as growing corn, wheat, and tobacco.

The sale of Virginia wine at restaurants, grocery stores and other retail outlets has lagged behind on-site sales and direct shipment to consumers. Although sale of Virginia wine at or through wineries increased over 14% in 2009, retail sales grew at less than 3%. Although new Wine Literacy Tax funds will be used to hire a Wine Marketing Office employee dedicated to increasing Virginia wines' presence in restaurants and retail outlets, the growth of this industry will be limited to the foot traffic generated by on-site visits until more Virginia wines are readily available at local dining and retail establishments.

In sum, entering into the Virginia wine business is highly risk-laden and requires intense capital investment. Even in the best circumstances, the average winery takes ten years to earn a profit. If the Commonwealth is committed to nurturing its local industry and reaping the economic rewards its success will bring, Virginia must: 1) find ways to lower the risk and costs for investment; 2) provide an educational, regulatory, and tax environment that encourages and sustains growth; and 3) attract companies to the state that provide the goods and services needed by wineries and vineyards, thereby lowering production costs.

### **Initial Recommendations to Address These Challenges:**

- 1) Find ways to increase Virginia wine sales domestically and abroad.
- 2) Add gateway signage to Virginia's wine regions and improve the existing directional signage program to better meet the needs of all wineries, wherever located.
- 3) Strengthen the enology and viticulture programs at Virginia Tech, Piedmont Virginia Community College, and, potentially, all community colleges in wine growing regions.
- 4) Further educate retail and culinary communities about sale and culinary use of Virginia wine.
- 5) Find ways for farm wineries to use their remote licenses in regions of the state that do not have a local wine industry, but that are heavily travelled by tourists.
- 6) Promote the growth of new and existing wineries, through a capital improvements tax credit.
- 7) Identify and eliminate burdensome regulations or tax policies that hinder the growth of the industry at either the state or local level.
- 8) Cross market Virginia's wine industry with region-specific culinary and cultural attractions.
- 9) Develop standards of quality for vineyard managers and winemakers and incentivize their use.
- 10) Find ways to assist vineyard owners in the transition to a producing winery through the establishment of a large-scale custom crush facility.
- 11) Lower the cost of producing wines in Virginia by attracting companies that make or deliver the goods and services needed by wineries, such as cooperage, glassware, rootstock, and implements.